
HOUSE BILL 2530

State of Washington

62nd Legislature

2012 Regular Session

By Representatives Carlyle, Hunter, Reykdal, Roberts, and Pollet; by request of Department of Revenue

Read first time 01/17/12. Referred to Committee on Ways & Means.

1 AN ACT Relating to improving accountability for tax preferences;
2 amending RCW 82.32.590, 43.136.045, 43.136.065, 82.32.585, 82.32.600,
3 82.32.710, 82.04.240, 82.04.240, 82.04.2404, 82.04.250, 82.04.260,
4 82.04.290, 82.04.2909, 82.04.294, 82.04.426, 82.04.4461, 82.04.4463,
5 82.04.448, 82.04.4481, 82.08.805, 82.08.965, 82.08.9651, 82.08.970,
6 82.08.980, 82.08.986, 82.12.022, 82.12.805, 82.12.965, 82.12.9651,
7 82.12.970, 82.12.980, 82.16.0421, 82.29A.137, 84.36.645, 84.36.655, and
8 82.04.4277; reenacting and amending RCW 82.32.790; adding new sections
9 to chapter 82.32 RCW; creating new sections; repealing RCW 82.32.534;
10 and providing an effective date.

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

12 **Sec. 1.** RCW 82.32.590 and 2011 c 174 s 306 are each amended to
13 read as follows:

14 (1) If the department finds that the failure of a taxpayer to file
15 an annual survey under RCW 82.32.585 (~~or annual report under RCW~~
16 ~~82.32.534~~) by the due date was the result of circumstances beyond the
17 control of the taxpayer, the department must extend the time for filing
18 the survey (~~or report~~). The extension is for a period of thirty days

1 from the date the department issues its written notification to the
2 taxpayer that it qualifies for an extension under this section. The
3 department may grant additional extensions as it deems proper.

4 (2) In making a determination whether the failure of a taxpayer to
5 file an annual survey (~~((or annual report))~~) by the due date was the
6 result of circumstances beyond the control of the taxpayer, the
7 department must be guided by rules adopted by the department for the
8 waiver or cancellation of penalties when the underpayment or untimely
9 payment of any tax was due to circumstances beyond the control of the
10 taxpayer.

11 (3)(a) Subject to the conditions in this subsection (3), a taxpayer
12 who fails to file an (~~(annual report or)~~) annual survey required under
13 subsection (1) of this section by the due date of the (~~(report or)~~)
14 survey is entitled to an extension of the due date. A request for an
15 extension under this subsection (3) must be made in writing to the
16 department.

17 (b) To qualify for an extension under this subsection (3), a
18 taxpayer must have filed all annual reports and surveys, if any, due in
19 prior years under subsection (1) of this section by their respective
20 due dates, beginning with annual reports and surveys due in calendar
21 year 2010. For purposes of this subsection (3)(b), "annual report"
22 means the report that was governed by RCW 82.32.534 until its repeal.

23 (c) An extension under this subsection (3) is for ninety days from
24 the original due date of the annual (~~(report or)~~) survey.

25 (d) No taxpayer may be granted more than one ninety-day extension
26 under this subsection (3).

27 NEW SECTION. Sec. 2. The legislature makes the following
28 findings:

29 (1) Accountability and effectiveness are important aspects of
30 setting tax policy. In order to make policy choices regarding the best
31 use of limited state resources the legislature needs information to
32 evaluate whether the continuation of existing tax preferences is in the
33 public interest.

34 (2) The existing annual reports and annual surveys used to gather
35 data from taxpayers to evaluate the effectiveness of tax incentives
36 should be improved and consolidated into a single document. This will

1 provide better information with which to evaluate the effectiveness of
2 tax preferences. This will also provide greater consistency for
3 taxpayers and simplify administration for the department of revenue.

4 (3) The process for evaluating tax preferences would be
5 strengthened by:

6 (a) Establishing a five-year expiration date for those tax
7 preferences enacted by the legislature in the future that are subject
8 to the annual survey; and

9 (b) Requiring that whenever the joint legislative audit and review
10 committee recommends that a tax preference be modified or terminated
11 immediately, the committee must include in its report to the
12 legislative fiscal committees draft legislation to implement the
13 recommendation.

14 **Sec. 3.** RCW 43.136.045 and 2011 c 335 s 2 are each amended to read
15 as follows:

16 (1)(a)(i) Except as provided in (a)(ii) of this subsection, the
17 citizen commission for performance measurement of tax preferences must
18 develop a schedule to accomplish an orderly review of tax preferences
19 at least once every ten years.

20 (ii) Tax preferences requiring the person receiving or benefiting
21 from the preference to file an annual survey under the provisions of
22 RCW 82.32.585 must be reviewed the earlier of every five years or one
23 year before their expiration date.

24 (b) In determining the schedule, the commission must consider the
25 order the tax preferences were enacted into law, in addition to other
26 factors including but not limited to grouping preferences for review by
27 type of industry, economic sector, or policy area. The commission may
28 elect to include, anywhere in the schedule, a tax preference that has
29 a statutory expiration date. The commission must omit from the
30 schedule tax preferences that are required by constitutional law, sales
31 and use tax exemptions for machinery and equipment for manufacturing,
32 research and development, or testing, the small business credit for the
33 business and occupation tax, sales and use tax exemptions for food and
34 prescription drugs, property tax relief for retired persons, and
35 property tax valuations based on current use, and may omit any tax
36 preference that the commission determines is a critical part of the
37 structure of the tax system. As an alternative to the process under

1 RCW 43.136.055, the commission may recommend to the joint legislative
2 audit and review committee an expedited review process for any tax
3 preference.

4 (2) The commission must revise the schedule as needed each year,
5 taking into account newly enacted or terminated tax preferences. The
6 commission must deliver the schedule to the joint legislative audit and
7 review committee by September 1st of each year.

8 (3) The commission must provide a process for effective citizen
9 input during its deliberations.

10 **Sec. 4.** RCW 43.136.065 and 2006 c 197 s 6 are each amended to read
11 as follows:

12 (1) The joint legislative audit and review committee (~~((shall))~~) must
13 report its findings and recommendations for scheduled tax preferences
14 to the citizen commission for performance measurement of tax
15 preferences by August 30th of each year. The commission may review and
16 comment on the report of the committee. The committee may revise its
17 report based on the comments of the commission. The committee
18 (~~((shall))~~) must prepare a final report that includes the comments of the
19 commission (~~((and))~~). The committee must submit the final report to the
20 (~~((finance))~~) fiscal committees of the house of representatives and the
21 (~~((ways and means committee of the))~~) senate by December 30th.

22 (~~((The joint legislative audit and review committee shall submit~~
23 ~~a special report reviewing all tax preferences that have statutory~~
24 ~~expiration dates between June 30, 2005, and January 1, 2007. For the~~
25 ~~special report, the committee shall complete a review under RCW~~
26 ~~43.136.055, and obtain comments of the citizen commission for~~
27 ~~performance measurement of tax preferences under subsection (1) of this~~
28 ~~section, to the extent possible. The committee shall submit the~~
29 ~~special report to the finance committee of the house of representatives~~
30 ~~and the ways and means committee of the senate by January 12, 2006.~~

31 (~~(3))~~) Following receipt of a report under this section, the
32 (~~((finance))~~) fiscal committees of the house of representatives and the
33 (~~((ways and means committee of the))~~) senate (~~((shall))~~) must jointly hold
34 a public hearing no later than the end of the second week of any
35 regular legislative session to consider the final report and any
36 related data.

1 **Sec. 5.** RCW 82.32.585 and 2011 c 23 s 6 are each amended to read
2 as follows:

3 (1)(a) Unless the department extends the due date as provided in
4 RCW 82.32.590, every person claiming a tax preference that requires a
5 survey under this section must file a complete annual survey with the
6 department by the due date as provided in (b) of this subsection.

7 (b)(i) Except as provided in ((+a+)) (b)(ii) of this subsection,
8 the survey is due by April 30th of the year following any calendar year
9 in which a person becomes eligible to claim the tax preference that
10 requires a survey under this section. If a person remains eligible to
11 claim a tax preference in subsequent calendar years, the person must
12 file additional surveys by April 30th of each year following each
13 calendar year that the person remains eligible to claim the tax
14 preference.

15 (ii) If the tax preference is a deferral of tax, the first survey
16 must be filed by April 30th of the calendar year following the calendar
17 year in which the investment project is certified by the department as
18 operationally complete, and a survey must be filed by April 30th of
19 each of the seven succeeding calendar years.

20 ~~((b) The department may extend the due date for timely filing of~~
21 ~~annual surveys under this section as provided in RCW 82.32.590.))~~

22 (2)((+a+)) The survey must include information as required in this
23 subsection for the calendar year preceding the calendar year in which
24 the survey is due.

25 (a)(i) The amount of the tax preference claimed ((for the calendar
26 year covered by)) must be reported on the survey.

27 (ii) For a person that claimed an exemption provided in RCW
28 82.08.025651 or 82.12.025651, the survey must include the amount of tax
29 exempted under those sections in the prior calendar year for each
30 general area or category of research and development for which exempt
31 machinery and equipment and labor and services were acquired in the
32 prior calendar year.

33 (b) The survey must also include the following information for
34 employment positions in Washington, not to include names of
35 employees(~~, for the year that the tax preference was claimed~~):

36 (i) The number of total employment positions;

37 (ii) Full-time, part-time, and temporary employment positions as a
38 percent of total employment;

1 (iii) The number of employment positions according to the following
2 wage bands: Less than thirty thousand dollars; thirty thousand dollars
3 or greater, but less than sixty thousand dollars; and sixty thousand
4 dollars or greater. A wage band containing fewer than three
5 individuals may be combined with another wage band; and

6 (iv) The number of employment positions that have employer-provided
7 medical, dental, and retirement benefits, by each of the wage bands.

8 (c) The survey must also include the amount of new capital
9 investment in Washington. For purposes of this subsection (2)(c), the
10 term "capital investment" means the cost of land, structures, and
11 depreciable property located in Washington that are integral to the
12 activities that qualify the business for the tax preference or
13 preferences requiring a survey under this section.

14 (d) For persons claiming the tax preference provided under chapter
15 82.60 or 82.63 RCW, the survey must also include the number of new
16 products or research projects by general classification, and the number
17 of trademarks, patents, and copyrights associated with activities at
18 the investment project.

19 ~~((d))~~ (e) For persons claiming the credit provided under RCW
20 82.04.4452, the survey must also include the qualified research and
21 development expenditures ~~((during the calendar year for which the~~
22 ~~credit was claimed))~~, the taxable amount ~~((during the calendar year for~~
23 ~~which the credit was claimed))~~, the number of new products or research
24 projects by general classification, the number of trademarks, patents,
25 and copyrights associated with the research and development activities
26 for which the credit was claimed, and whether the tax preference has
27 been assigned, and who assigned the credit. The definitions in RCW
28 82.04.4452 apply to this subsection (2)~~((d))~~ (e).

29 ~~((e))~~ (f) For persons claiming the tax exemption in RCW
30 82.08.025651 or 82.12.025651, the survey must also include the general
31 areas or categories of research and development for which machinery and
32 equipment and labor and services were acquired, exempt from tax under
33 RCW 82.08.025651 or 82.12.025651~~((, in the prior calendar year))~~.

34 ~~((f))~~ (g) If the person filing a survey under this section did
35 not file a survey under this section or report under RCW 82.32.534 with
36 the department in the previous calendar year, the survey filed under
37 this section must also include the employment, wage, ~~((and))~~ benefit,

1 and capital investment information required under (b)((~~i~~) through
2 (~~iv~~)) and (c) of this subsection for the calendar year immediately
3 preceding the calendar year for which a tax preference was claimed.

4 (3) As part of the annual survey, the department may request
5 additional information necessary to measure the results of, or
6 determine eligibility for, the tax preference.

7 (4)(a) All information collected under this section from annual
8 surveys due before April 30, 2013, except the information required in
9 subsection (2)(a) of this section, is deemed taxpayer information under
10 RCW 82.32.330. Information required in subsection (2)(a) of this
11 section and collected from annual surveys due before April 30, 2013, is
12 not subject to the confidentiality provisions of RCW 82.32.330 and may
13 be disclosed to the public upon request, except (~~as provided in~~
14 ~~subsection (5) of this section~~) that persons for whom the actual
15 amount of the tax reduced or saved is less than ten thousand dollars
16 during the period covered by the survey may request the department to
17 treat the amount of the tax reduction or savings as confidential under
18 RCW 82.32.330.

19 (b) Beginning with annual surveys due April 30, 2013, all
20 information collected under this section from annual surveys, other
21 than information collected under subsection (3) of this section and the
22 amount of the tax preference claimed under RCW 82.04.4461, is not
23 subject to the confidentiality provisions of RCW 82.32.330 and may be
24 disclosed to the public upon request.

25 (c) If the amount of the tax preference claimed as reported on the
26 survey is different than the amount actually claimed or otherwise
27 allowed by the department based on the taxpayer's excise tax returns or
28 other information known to the department, the amount actually claimed
29 or allowed may be disclosed.

30 (~~5~~) (~~Persons for whom the actual amount of the tax reduced or~~
31 ~~saved is less than ten thousand dollars during the period covered by~~
32 ~~the survey may request the department to treat the amount of the tax~~
33 ~~reduction or savings as confidential under RCW 82.32.330.~~

34 (~~6~~)(a) Except as otherwise provided by law, if a person claims a
35 tax preference that requires an annual survey under this section but
36 fails to submit a complete annual survey by the due date of the survey
37 or any extension under RCW 82.32.590, the department must declare the
38 amount of the tax preference claimed for the previous calendar year to

1 be immediately due. If the tax preference is a deferral of tax, twelve
2 and one-half percent of the deferred tax is immediately due. If the
3 economic benefits of the deferral are passed to a lessee, the lessee is
4 responsible for payment to the extent the lessee has received the
5 economic benefit.

6 (b) The department must assess interest, but not penalties, on the
7 amounts due under this subsection. The interest must be assessed at
8 the rate provided for delinquent taxes under this chapter,
9 retroactively to the date the tax preference was claimed, and accrues
10 until the taxes for which the tax preference was claimed are repaid.
11 Amounts due under this subsection are not subject to the
12 confidentiality provisions of RCW 82.32.330 and may be disclosed to the
13 public upon request.

14 ~~((+7))~~ (6)(a) The department must use the information from this
15 section to prepare summary descriptive statistics by category. ~~((No
16 fewer than three taxpayers may be included in any category.))~~

17 (b)(i) The department must also use the information from this
18 section to compute the relative tax burden, by tax type, for each
19 taxpayer claiming a tax preference requiring a survey under this
20 section. For purposes of this subsection, state and local sales and
21 use taxes are considered one tax type.

22 (ii) In addition, for each tax preference requiring a survey under
23 this section the department must compute the aggregate relative tax
24 burden of all persons claiming the tax preference.

25 (c) Information created under this subsection and otherwise
26 confidential under RCW 82.32.330 may be disclosed as authorized by RCW
27 82.32.330(3)(u).

28 (d) The department must report ~~((these))~~ summary descriptive
29 statistics and relative tax burden information to the legislature each
30 year by ~~((October))~~ December 1st.

31 (e) For purposes of this subsection, "relative tax burden" means
32 the ratio, measured as a percentage, between the amount of tax paid and
33 the amount of tax that would have been paid by taxpayers without the
34 application of any tax preferences for which a survey under this
35 section must be filed.

36 ~~((+8))~~ (7) For the purposes of this section:

37 (a) "Person" has the meaning provided in RCW 82.04.030 and also
38 includes the state and its departments and institutions.

1 (b) "Tax preference" has the meaning provided in RCW 43.136.021 and
2 includes only the tax preferences requiring a survey under this
3 section.

4 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.32 RCW
5 to read as follows:

6 (1) Unless otherwise provided by statute, any tax preference that
7 is passed by the legislature after the effective date of this section:

8 (a) Requires the beneficiaries of the tax preference to file a
9 complete annual survey with the department under RCW 82.32.585 if the
10 beneficiary is a business required to be registered with the
11 department; and

12 (b)(i) Except as otherwise provided in this subsection, expires on
13 the date that is five years after the date the tax preference became
14 effective. However, if the date that is five years after the date the
15 tax preference became effective is not the first day of a fiscal year,
16 the tax preference expires on the first day of the next fiscal year.

17 (ii) If a tax preference is a property tax exemption and the date
18 that is five years after the date the exemption became effective is not
19 the first day of a calendar year, the exemption expires on the first
20 day of the next calendar year.

21 (2) For purposes of subsection (1) of this section:

22 (a) Except as provided in this subsection (2)(a), the beneficiary
23 of a tax preference is the taxpayer entitled to claim the tax
24 preference. However, when the ability of a taxpayer to claim a tax
25 preference is conditioned in this title on the taxpayer passing the
26 economic benefit of that tax preference to someone else, the individual
27 or entity receiving the economic benefit of the tax preference is the
28 beneficiary of the tax preference, not the taxpayer.

29 (b) "Tax preference that is passed by the legislature" includes the
30 continuation or expansion of any tax preference originally enacted by
31 the legislature on or before the effective date of this section. For
32 purposes of this subsection (2)(b):

33 (i) "Continuation" means that the legislature has taken affirmative
34 action to eliminate or extend an expiration date or otherwise extend
35 the effective period for claiming a tax preference; and

36 (ii) "Expansion" means that the legislature has made a change to a
37 tax preference that either increases the number of persons eligible for

1 the tax preference or reduces state tax revenue or the amount of
2 taxable property on the property tax rolls, even if fewer taxpayers
3 will be eligible to claim the tax preference. For purposes of this
4 subsection (2)(b)(ii), the department is responsible for determining
5 whether a change to a tax preference constitutes an expansion and is
6 based on the department's estimate of the impact of the change as
7 reflected in the department's final fiscal note for the legislation
8 that changed the tax preference or in the department's workpapers for
9 such fiscal note. However, if the department did not prepare a fiscal
10 note for the legislation that changed the tax preference or the
11 department is unable to determine from the fiscal note whether the
12 change constitutes an expansion of the tax preference, the department
13 must perform an estimate of the impact of the change within ninety days
14 following the effective date of the change to determine whether the
15 change constitutes an expansion of the tax preference.

16 (3) For purposes of this section, the following definitions apply:

17 (a) "Fiscal year" means the year beginning July 1st and ending the
18 following June 30th.

19 (b) "Tax preference" means the following tax benefits for any state
20 tax administered by the department, including property taxes levied by
21 the state: Exemptions, including exemptions in the form of a
22 remittance or refund of tax paid; deductions; credits; deferrals; or
23 reduced tax rates.

24 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.32 RCW
25 to read as follows:

26 (1)(a) Unless otherwise provided by law, a taxpayer may claim a tax
27 preference on and after the expiration date of the tax preference under
28 the following circumstances:

29 (i) All conditions necessary for entitlement to the tax preference
30 occurred before the expiration date of the tax preference;

31 (ii) The tax preference is a type that must be claimed on a tax
32 return required to be filed with the department, which includes tax
33 exemptions that are not required to be specifically identified on the
34 tax return but that reduce the amount of tax due on the return; and

35 (iii) The tax preference is claimed on the tax return for the
36 reporting period that includes the date that the taxpayer became
37 entitled to the tax preference.

1 (b) This subsection does not allow:

2 (i) A tax preference to be claimed to the extent that it would
3 reduce the amount of tax due on the return to less than zero;

4 (ii) A credit to be carried forward to any subsequent reporting
5 period except as specifically provided in the statute that authorized
6 the credit; or

7 (iii) Refunds for unused tax preferences.

8 (2) The department may not assess use tax against a taxpayer based
9 solely on the expiration of a use tax exemption.

10 (3) For purposes of this section, "tax preference" means the
11 following tax benefits for any state tax administered by the department
12 under this chapter: Exemptions, including exemptions in the form of a
13 remittance or refund of tax paid; deductions; credits; deferrals; or
14 reduced tax rates.

15 **Sec. 8.** RCW 82.32.600 and 2010 c 114 s 136 are each amended to
16 read as follows:

17 (1) Persons required to file annual surveys (~~(or annual reports)~~)
18 under RCW (~~(82.32.534 or)~~) 82.32.585 must electronically file with the
19 department all surveys, reports, returns, and any other forms or
20 information the department requires in an electronic format as provided
21 or approved by the department. As used in this section, "returns" has
22 the same meaning as "return" in RCW 82.32.050.

23 (2) Any survey, report, return, or any other form or information
24 required to be filed in an electronic format under subsection (1) of
25 this section is not filed until received by the department in an
26 electronic format.

27 (3) The department may waive the electronic filing requirement in
28 subsection (1) of this section for good cause shown.

29 **Sec. 9.** RCW 82.32.710 and 2010 c 114 s 137 are each amended to
30 read as follows:

31 (1) A client under the terms of a professional employer agreement
32 is deemed to be the sole employer of a covered employee for purposes of
33 eligibility for any tax credit, exemption, or other tax incentive,
34 arising as the result of the employment of covered employees, provided
35 in RCW 82.04.4333, 82.04.44525, 82.04.448, 82.04.4483, 82.08.965,
36 82.12.965, 82.16.0495, or 82.60.049 or chapter 82.62 or 82.70 RCW, or

1 any other provision in this title. A client, and not the professional
2 employer organization, is entitled to the benefit of any tax credit,
3 exemption, or other tax incentive arising as the result of the
4 employment of covered employees of that client.

5 (2) A client under the terms of a professional employer agreement
6 is deemed to be the sole employer of a covered employee for purposes of
7 (~~reports or~~) surveys that require the reporting of employment
8 information relating to covered employees of the client, as provided in
9 RCW (~~82.32.534 or~~) 82.32.585. A client, and not the professional
10 employer organization, is required to complete any survey (~~or report~~)
11 that requires the reporting of employment information relating to
12 covered employees of that client.

13 (3) For the purposes of this section, "client," "covered employee,"
14 "professional employer agreement," and "professional employer
15 organization" have the same meanings as in RCW 82.04.540.

16 **Sec. 10.** RCW 82.04.240 and 2004 c 24 s 4 are each amended to read
17 as follows:

18 (1) Upon every person engaging within this state in business as a
19 manufacturer, except persons taxable as manufacturers under other
20 provisions of this chapter; as to such persons the amount of the tax
21 with respect to such business (~~shall be~~) is equal to the value of the
22 products, including byproducts, manufactured, multiplied by the rate of
23 0.484 percent.

24 (2) The measure of the tax is the value of the products, including
25 byproducts, so manufactured regardless of the place of sale or the fact
26 that deliveries may be made to points outside the state.

27 **Sec. 11.** RCW 82.04.240 and 2010 c 114 s 104 are each amended to
28 read as follows:

29 (1) Upon every person engaging within this state in business as a
30 manufacturer, except persons taxable as manufacturers under other
31 provisions of this chapter; as to such persons the amount of the tax
32 with respect to such business is equal to the value of the products,
33 including byproducts, manufactured, multiplied by the rate of 0.484
34 percent.

35 (2)(a) Upon every person engaging within this state in the business
36 of manufacturing semiconductor materials, as to such persons the amount

1 of tax with respect to such business is, in the case of manufacturers,
2 equal to the value of the product manufactured, or, in the case of
3 processors for hire, equal to the gross income of the business,
4 multiplied by the rate of 0.275 percent. For the purposes of this
5 subsection "semiconductor materials" means silicon crystals, silicon
6 ingots, raw polished semiconductor wafers, compound semiconductors,
7 integrated circuits, and microchips.

8 (b) A person reporting under the tax rate provided in this
9 subsection (2) must file a complete annual (~~report~~) survey with the
10 department under RCW (~~(82.32.534)~~) 82.32.585.

11 (c) This subsection (2) expires twelve years after the effective
12 date of this (~~act~~) section.

13 (3) The measure of the tax is the value of the products, including
14 byproducts, so manufactured regardless of the place of sale or the fact
15 that deliveries may be made to points outside the state.

16 **Sec. 12.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended to
17 read as follows:

18 (1) Upon every person engaging within this state in the business of
19 manufacturing or processing for hire semiconductor materials, as to
20 such persons the amount of tax with respect to such business is, in the
21 case of manufacturers, equal to the value of the product manufactured,
22 or, in the case of processors for hire, equal to the gross income of
23 the business, multiplied by the rate of 0.275 percent.

24 (2) For the purposes of this section "semiconductor materials"
25 means silicon crystals, silicon ingots, raw polished semiconductor
26 wafers, and compound semiconductor wafers.

27 (3) A person reporting under the tax rate provided in this section
28 must file a complete annual (~~report~~) survey with the department under
29 RCW (~~(82.32.534)~~) 82.32.585.

30 (4) This section expires December 1, 2018.

31 **Sec. 13.** RCW 82.04.250 and 2010 1st sp.s. c 23 s 509 are each
32 amended to read as follows:

33 (1) Upon every person engaging within this state in the business of
34 making sales at retail, except persons taxable (~~as retailers~~) under
35 other provisions of this chapter on the business of making sales at

1 retail, as to such persons, the amount of tax with respect to such
2 business is equal to the gross proceeds of sales of the business,
3 multiplied by the rate of 0.471 percent.

4 (2) Upon every person engaging within this state in the business of
5 making sales at retail that are exempt from the tax imposed under
6 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
7 82.08.0263, except persons taxable under RCW 82.04.260(~~(+10)~~) (11) or
8 subsection (3) of this section, as to such persons, the amount of tax
9 with respect to such business is equal to the gross proceeds of sales
10 of the business, multiplied by the rate of 0.484 percent.

11 (3)(a) Until July 1, 2024, upon every person classified by the
12 federal aviation administration as a federal aviation regulation part
13 145 certificated repair station and that is engaging within this state
14 in the business of making sales at retail that are exempt from the tax
15 imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,
16 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with
17 respect to such business is equal to the gross proceeds of sales of the
18 business, multiplied by the rate of .2904 percent.

19 (b) A person reporting under the tax rate provided in this
20 subsection (3) must file a complete annual survey with the department
21 under RCW 82.32.585.

22 **Sec. 14.** RCW 82.04.260 and 2011 c 2 s 203 (Initiative Measure No.
23 1107) are each amended to read as follows:

24 (1) Upon every person engaging within this state in the business of
25 manufacturing:

26 (a) Wheat into flour, barley into pearl barley, soybeans into
27 soybean oil, canola into canola oil, canola meal, or canola by-
28 products, or sunflower seeds into sunflower oil; as to such persons the
29 amount of tax with respect to such business is equal to the value of
30 the flour, pearl barley, oil, canola meal, or canola by-product
31 manufactured, multiplied by the rate of 0.138 percent;

32 (b) Beginning July 1, 2012, seafood products that remain in a raw,
33 raw frozen, or raw salted state at the completion of the manufacturing
34 by that person; or selling manufactured seafood products that remain in
35 a raw, raw frozen, or raw salted state at the completion of the
36 manufacturing, to purchasers who transport in the ordinary course of
37 business the goods out of this state; as to such persons the amount of

1 tax with respect to such business is equal to the value of the products
2 manufactured or the gross proceeds derived from such sales, multiplied
3 by the rate of 0.138 percent. Sellers must keep and preserve records
4 for the period required by RCW 82.32.070 establishing that the goods
5 were transported by the purchaser in the ordinary course of business
6 out of this state;

7 (c) Beginning July 1, 2012, dairy products that as of September 20,
8 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
9 including by-products from the manufacturing of the dairy products such
10 as whey and casein; or selling the same to purchasers who transport in
11 the ordinary course of business the goods out of state; as to such
12 persons the tax imposed is equal to the value of the products
13 manufactured or the gross proceeds derived from such sales multiplied
14 by the rate of 0.138 percent. Sellers must keep and preserve records
15 for the period required by RCW 82.32.070 establishing that the goods
16 were transported by the purchaser in the ordinary course of business
17 out of this state;

18 (d) Beginning July 1, 2012, fruits or vegetables by canning,
19 preserving, freezing, processing, or dehydrating fresh fruits or
20 vegetables, or selling at wholesale fruits or vegetables manufactured
21 by the seller by canning, preserving, freezing, processing, or
22 dehydrating fresh fruits or vegetables and sold to purchasers who
23 transport in the ordinary course of business the goods out of this
24 state; as to such persons the amount of tax with respect to such
25 business is equal to the value of the products manufactured or the
26 gross proceeds derived from such sales multiplied by the rate of 0.138
27 percent. Sellers must keep and preserve records for the period
28 required by RCW 82.32.070 establishing that the goods were transported
29 by the purchaser in the ordinary course of business out of this state;

30 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
31 feedstock, as those terms are defined in RCW 82.29A.135; as to such
32 persons the amount of tax with respect to the business is equal to the
33 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock
34 manufactured, multiplied by the rate of 0.138 percent; and

35 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
36 persons the amount of tax with respect to the business is equal to the
37 value of wood biomass fuel manufactured, multiplied by the rate of
38 0.138 percent.

1 (2) Upon every person engaging within this state in the business of
2 splitting or processing dried peas; as to such persons the amount of
3 tax with respect to such business is equal to the value of the peas
4 split or processed, multiplied by the rate of 0.138 percent.

5 (3) Upon every nonprofit corporation and nonprofit association
6 engaging within this state in research and development, as to such
7 corporations and associations, the amount of tax with respect to such
8 activities is equal to the gross income derived from such activities
9 multiplied by the rate of 0.484 percent.

10 (4) Upon every person engaging within this state in the business of
11 slaughtering, breaking and/or processing perishable meat products
12 and/or selling the same at wholesale only and not at retail; as to such
13 persons the tax imposed is equal to the gross proceeds derived from
14 such sales multiplied by the rate of 0.138 percent.

15 (5) Upon every person engaging within this state in the business of
16 acting as a travel agent or tour operator; as to such persons the
17 amount of the tax with respect to such activities is equal to the gross
18 income derived from such activities multiplied by the rate of 0.275
19 percent.

20 (6) Upon every person engaging within this state in business as an
21 international steamship agent, international customs house broker,
22 international freight forwarder, vessel and/or cargo charter broker in
23 foreign commerce, and/or international air cargo agent; as to such
24 persons the amount of the tax with respect to only international
25 activities is equal to the gross income derived from such activities
26 multiplied by the rate of 0.275 percent.

27 (7) Upon every person engaging within this state in the business of
28 stevedoring and associated activities pertinent to the movement of
29 goods and commodities in waterborne interstate or foreign commerce; as
30 to such persons the amount of tax with respect to such business is
31 equal to the gross proceeds derived from such activities multiplied by
32 the rate of 0.275 percent. Persons subject to taxation under this
33 subsection are exempt from payment of taxes imposed by chapter 82.16
34 RCW for that portion of their business subject to taxation under this
35 subsection. Stevedoring and associated activities pertinent to the
36 conduct of goods and commodities in waterborne interstate or foreign
37 commerce are defined as all activities of a labor, service or
38 transportation nature whereby cargo may be loaded or unloaded to or

1 from vessels or barges, passing over, onto or under a wharf, pier, or
2 similar structure; cargo may be moved to a warehouse or similar holding
3 or storage yard or area to await further movement in import or export
4 or may move to a consolidation freight station and be stuffed,
5 unstuffed, containerized, separated or otherwise segregated or
6 aggregated for delivery or loaded on any mode of transportation for
7 delivery to its consignee. Specific activities included in this
8 definition are: Wharfage, handling, loading, unloading, moving of
9 cargo to a convenient place of delivery to the consignee or a
10 convenient place for further movement to export mode; documentation
11 services in connection with the receipt, delivery, checking, care,
12 custody and control of cargo required in the transfer of cargo;
13 imported automobile handling prior to delivery to consignee; terminal
14 stevedoring and incidental vessel services, including but not limited
15 to plugging and unplugging refrigerator service to containers,
16 trailers, and other refrigerated cargo receptacles, and securing ship
17 hatch covers.

18 (8) Upon every person engaging within this state in the business of
19 disposing of low-level waste, as defined in RCW 43.145.010; as to such
20 persons the amount of the tax with respect to such business is equal to
21 the gross income of the business, excluding any fees imposed under
22 chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

23 If the gross income of the taxpayer is attributable to activities
24 both within and without this state, the gross income attributable to
25 this state must be determined in accordance with the methods of
26 apportionment required under RCW 82.04.460.

27 (9) Upon every person engaging within this state as an insurance
28 producer or title insurance agent licensed under chapter 48.17 RCW or
29 a surplus line broker licensed under chapter 48.15 RCW; as to such
30 persons, the amount of the tax with respect to such licensed activities
31 is equal to the gross income of such business multiplied by the rate of
32 0.484 percent.

33 (10) Upon every person engaging within this state in business as a
34 hospital, as defined in chapter 70.41 RCW, that is operated as a
35 nonprofit corporation or by the state or any of its political
36 subdivisions, as to such persons, the amount of tax with respect to
37 such activities is equal to the gross income of the business multiplied

1 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent
2 thereafter.

3 (11)(a) Beginning October 1, 2005, upon every person engaging
4 within this state in the business of manufacturing commercial
5 airplanes, or components of such airplanes, or making sales, at retail
6 or wholesale, of commercial airplanes or components of such airplanes,
7 manufactured by the seller, as to such persons the amount of tax with
8 respect to such business is, in the case of manufacturers, equal to the
9 value of the product manufactured and the gross proceeds of sales of
10 the product manufactured, or in the case of processors for hire, equal
11 to the gross income of the business, multiplied by the rate of:

12 (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and

13 (ii) 0.2904 percent beginning July 1, 2007.

14 (b) Beginning July 1, 2008, upon every person who is not eligible
15 to report under the provisions of (a) of this subsection (11) and is
16 engaging within this state in the business of manufacturing tooling
17 specifically designed for use in manufacturing commercial airplanes or
18 components of such airplanes, or making sales, at retail or wholesale,
19 of such tooling manufactured by the seller, as to such persons the
20 amount of tax with respect to such business is, in the case of
21 manufacturers, equal to the value of the product manufactured and the
22 gross proceeds of sales of the product manufactured, or in the case of
23 processors for hire, be equal to the gross income of the business,
24 multiplied by the rate of 0.2904 percent.

25 (c) For the purposes of this subsection (11), "commercial airplane"
26 and "component" have the same meanings as provided in RCW 82.32.550.

27 (d) In addition to all other requirements under this title, a
28 person reporting under the tax rate provided in this subsection (11)
29 must file a complete annual (~~report~~) survey with the department under
30 RCW (~~(82.32.534)~~) 82.32.585.

31 (e) This subsection (11) does not apply on and after July 1, 2024.

32 (12)(a) Until July 1, 2024, upon every person engaging within this
33 state in the business of extracting timber or extracting for hire
34 timber; as to such persons the amount of tax with respect to the
35 business is, in the case of extractors, equal to the value of products,
36 including by-products, extracted, or in the case of extractors for
37 hire, equal to the gross income of the business, multiplied by the rate

1 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904
2 percent from July 1, 2007, through June 30, 2024.

3 (b) Until July 1, 2024, upon every person engaging within this
4 state in the business of manufacturing or processing for hire: (i)
5 Timber into timber products or wood products; or (ii) timber products
6 into other timber products or wood products; as to such persons the
7 amount of the tax with respect to the business is, in the case of
8 manufacturers, equal to the value of products, including by-products,
9 manufactured, or in the case of processors for hire, equal to the gross
10 income of the business, multiplied by the rate of 0.4235 percent from
11 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
12 2007, through June 30, 2024.

13 (c) Until July 1, 2024, upon every person engaging within this
14 state in the business of selling at wholesale: (i) Timber extracted by
15 that person; (ii) timber products manufactured by that person from
16 timber or other timber products; or (iii) wood products manufactured by
17 that person from timber or timber products; as to such persons the
18 amount of the tax with respect to the business is equal to the gross
19 proceeds of sales of the timber, timber products, or wood products
20 multiplied by the rate of 0.4235 percent from July 1, 2006, through
21 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
22 2024.

23 (d) Until July 1, 2024, upon every person engaging within this
24 state in the business of selling standing timber; as to such persons
25 the amount of the tax with respect to the business is equal to the
26 gross income of the business multiplied by the rate of 0.2904 percent.
27 For purposes of this subsection (12)(d), "selling standing timber"
28 means the sale of timber apart from the land, where the buyer is
29 required to sever the timber within thirty months from the date of the
30 original contract, regardless of the method of payment for the timber
31 and whether title to the timber transfers before, upon, or after
32 severance.

33 (e) For purposes of this subsection, the following definitions
34 apply:

35 (i) "Biocomposite surface products" means surface material products
36 containing, by weight or volume, more than fifty percent recycled paper
37 and that also use nonpetroleum-based phenolic resin as a bonding agent.

1 (ii) "Paper and paper products" means products made of interwoven
2 cellulosic fibers held together largely by hydrogen bonding. "Paper
3 and paper products" includes newsprint; office, printing, fine, and
4 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
5 kraft bag, construction, and other kraft industrial papers; paperboard,
6 liquid packaging containers, containerboard, corrugated, and solid-
7 fiber containers including linerboard and corrugated medium; and
8 related types of cellulosic products containing primarily, by weight or
9 volume, cellulosic materials. "Paper and paper products" does not
10 include books, newspapers, magazines, periodicals, and other printed
11 publications, advertising materials, calendars, and similar types of
12 printed materials.

13 (iii) "Recycled paper" means paper and paper products having fifty
14 percent or more of their fiber content that comes from postconsumer
15 waste. For purposes of this subsection (12)(e)(iii), "postconsumer
16 waste" means a finished material that would normally be disposed of as
17 solid waste, having completed its life cycle as a consumer item.

18 (iv) "Timber" means forest trees, standing or down, on privately or
19 publicly owned land. "Timber" does not include Christmas trees that
20 are cultivated by agricultural methods or short-rotation hardwoods as
21 defined in RCW 84.33.035.

22 (v) "Timber products" means:

23 (A) Logs, wood chips, sawdust, wood waste, and similar products
24 obtained wholly from the processing of timber, short-rotation hardwoods
25 as defined in RCW 84.33.035, or both;

26 (B) Pulp, including market pulp and pulp derived from recovered
27 paper or paper products; and

28 (C) Recycled paper, but only when used in the manufacture of
29 biocomposite surface products.

30 (vi) "Wood products" means paper and paper products; dimensional
31 lumber; engineered wood products such as particleboard, oriented strand
32 board, medium density fiberboard, and plywood; wood doors; wood
33 windows; and biocomposite surface products.

34 (f) Except for small harvesters as defined in RCW 84.33.035, a
35 person reporting under the tax rate provided in this subsection (12)
36 must file a complete annual survey with the department under RCW
37 82.32.585.

1 (13) Upon every person engaging within this state in inspecting,
2 testing, labeling, and storing canned salmon owned by another person,
3 as to such persons, the amount of tax with respect to such activities
4 is equal to the gross income derived from such activities multiplied by
5 the rate of 0.484 percent.

6 (14)(a) Upon every person engaging within this state in the
7 business of printing a newspaper, publishing a newspaper, or both, the
8 amount of tax on such business is equal to the gross income of the
9 business multiplied by the rate of 0.2904 percent.

10 (b) A person reporting under the tax rate provided in this
11 subsection (14) must file a complete annual (~~report~~) survey with the
12 department under RCW (~~(82.32.534)~~) 82.32.585.

13 **Sec. 15.** RCW 82.04.290 and 2011 c 174 s 101 are each amended to
14 read as follows:

15 (1) Upon every person engaging within this state in the business of
16 providing international investment management services, as to such
17 persons, the amount of tax with respect to such business (~~shall be~~)
18 is equal to the gross income or gross proceeds of sales of the business
19 multiplied by a rate of 0.275 percent.

20 (2)(a) Upon every person engaging within this state in any business
21 activity other than or in addition to an activity taxed explicitly
22 under another section in this chapter or subsection (1) or (3) of this
23 section; as to such persons the amount of tax on account of such
24 activities (~~shall be~~) is equal to the gross income of the business
25 multiplied by the rate of 1.5 percent.

26 (b) This subsection (2) includes, among others, and without
27 limiting the scope hereof (whether or not title to materials used in
28 the performance of such business passes to another by accession,
29 confusion or other than by outright sale), persons engaged in the
30 business of rendering any type of service which does not constitute a
31 "sale at retail" or a "sale at wholesale." The value of advertising,
32 demonstration, and promotional supplies and materials furnished to an
33 agent by his principal or supplier to be used for informational,
34 educational and promotional purposes (~~shall~~) is not (~~be~~) considered
35 a part of the agent's remuneration or commission and (~~shall~~) is not
36 (~~be~~) subject to taxation under this section.

1 (3)(a) Until July 1, 2024, upon every person engaging within this
2 state in the business of performing aerospace product development for
3 others, as to such persons, the amount of tax with respect to such
4 business (~~shall be~~) is equal to the gross income of the business
5 multiplied by a rate of 0.9 percent.

6 (b) "Aerospace product development" has the meaning as provided in
7 RCW 82.04.4461.

8 (c) A person reporting under the tax rate provided in this
9 subsection (3) must file a complete annual survey with the department
10 under RCW 82.32.585.

11 **Sec. 16.** RCW 82.04.2909 and 2011 c 174 s 301 are each amended to
12 read as follows:

13 (1) Upon every person who is an aluminum smelter engaging within
14 this state in the business of manufacturing aluminum; as to such
15 persons the amount of tax with respect to such business is, in the case
16 of manufacturers, equal to the value of the product manufactured, or in
17 the case of processors for hire, equal to the gross income of the
18 business, multiplied by the rate of .2904 percent.

19 (2) Upon every person who is an aluminum smelter engaging within
20 this state in the business of making sales at wholesale of aluminum
21 manufactured by that person, as to such persons the amount of tax with
22 respect to such business is equal to the gross proceeds of sales of the
23 aluminum multiplied by the rate of .2904 percent.

24 (3) A person reporting under the tax rate provided in this section
25 must file a complete annual (~~report~~) survey with the department under
26 RCW (~~(82.32.534)~~) 82.32.585.

27 (4) This section expires January 1, 2017.

28 **Sec. 17.** RCW 82.04.294 and 2011 c 179 s 1 are each amended to read
29 as follows:

30 (1) Upon every person engaging within this state in the business of
31 manufacturing solar energy systems using photovoltaic modules or
32 stirling converters, or of manufacturing solar grade silicon, silicon
33 solar wafers, silicon solar cells, thin film solar devices, or compound
34 semiconductor solar wafers to be used exclusively in components of such
35 systems; as to such persons the amount of tax with respect to such
36 business is, in the case of manufacturers, equal to the value of the

1 product manufactured, or in the case of processors for hire, equal to
2 the gross income of the business, multiplied by the rate of 0.275
3 percent.

4 (2) Upon every person engaging within this state in the business of
5 making sales at wholesale of solar energy systems using photovoltaic
6 modules or stirling converters, or of solar grade silicon, silicon
7 solar wafers, silicon solar cells, thin film solar devices, or compound
8 semiconductor solar wafers to be used exclusively in components of such
9 systems, manufactured by that person; as to such persons the amount of
10 tax with respect to such business is equal to the gross proceeds of
11 sales of the solar energy systems using photovoltaic modules or
12 stirling converters, or of the solar grade silicon to be used
13 exclusively in components of such systems, multiplied by the rate of
14 0.275 percent.

15 (3) Silicon solar wafers, silicon solar cells, thin film solar
16 devices, or compound semiconductor solar wafers are "semiconductor
17 materials" for the purposes of RCW 82.08.9651 and 82.12.9651.

18 (4) The definitions in this subsection apply throughout this
19 section.

20 (a) "Compound semiconductor solar wafers" means a semiconductor
21 solar wafer composed of elements from two or more different groups of
22 the periodic table.

23 (b) "Module" means the smallest nondivisible self-contained
24 physical structure housing interconnected photovoltaic cells and
25 providing a single direct current electrical output.

26 (c) "Photovoltaic cell" means a device that converts light directly
27 into electricity without moving parts.

28 (d) "Silicon solar cells" means a photovoltaic cell manufactured
29 from a silicon solar wafer.

30 (e) "Silicon solar wafers" means a silicon wafer manufactured for
31 solar conversion purposes.

32 (f) "Solar energy system" means any device or combination of
33 devices or elements that rely upon direct sunlight as an energy source
34 for use in the generation of electricity.

35 (g) "Solar grade silicon" means high-purity silicon used
36 exclusively in components of solar energy systems using photovoltaic
37 modules to capture direct sunlight. "Solar grade silicon" does not
38 include silicon used in semiconductors.

1 (h) "Stirling converter" means a device that produces electricity
2 by converting heat from a solar source utilizing a stirling engine.

3 (i) "Thin film solar devices" means a nonparticipating substrate on
4 which various semiconducting materials are deposited to produce a
5 photovoltaic cell that is used to generate electricity.

6 (5) A person reporting under the tax rate provided in this section
7 must file a complete annual (~~report~~) survey with the department under
8 RCW (~~82.32.534~~) 82.32.585.

9 (6) This section expires June 30, 2014.

10 **Sec. 18.** RCW 82.04.426 and 2010 c 114 s 110 are each amended to
11 read as follows:

12 (1) The tax imposed by RCW 82.04.240(2) does not apply to any
13 person in respect to the manufacturing of semiconductor microchips.

14 (2) For the purposes of this section:

15 (a) "Manufacturing semiconductor microchips" means taking raw
16 polished semiconductor wafers and embedding integrated circuits on the
17 wafers using processes such as masking, etching, and diffusion; and

18 (b) "Integrated circuit" means a set of microminiaturized,
19 electronic circuits.

20 (3) A person reporting under the tax rate provided in this section
21 must file a complete annual (~~report~~) survey with the department under
22 RCW (~~82.32.534~~) 82.32.585.

23 (4) This section expires nine years after the effective date of
24 this (~~act~~) section.

25 **Sec. 19.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to
26 read as follows:

27 (1)(a)(i) In computing the tax imposed under this chapter, a credit
28 is allowed for each person for qualified aerospace product development.
29 For a person who is a manufacturer or processor for hire of commercial
30 airplanes or components of such airplanes, credit may be earned for
31 expenditures occurring after December 1, 2003. For all other persons,
32 credit may be earned only for expenditures occurring after June 30,
33 2008.

34 (ii) For purposes of this subsection, "commercial airplane" and
35 "component" have the same meanings as provided in RCW 82.32.550.

1 (b) Before July 1, 2005, any credits earned under this section must
2 be accrued and carried forward and may not be used until July 1, 2005.
3 These carryover credits may be used at any time thereafter, and may be
4 carried over until used. Refunds may not be granted in the place of a
5 credit.

6 (2) The credit is equal to the amount of qualified aerospace
7 product development expenditures of a person, multiplied by the rate of
8 1.5 percent.

9 (3) Except as provided in subsection (1)(b) of this section the
10 credit must be claimed against taxes due for the same calendar year in
11 which the qualified aerospace product development expenditures are
12 incurred. Credit earned on or after July 1, 2005, may not be carried
13 over. The credit for each calendar year may not exceed the amount of
14 tax otherwise due under this chapter for the calendar year. Refunds
15 may not be granted in the place of a credit.

16 (4) Any person claiming the credit must file a form prescribed by
17 the department that must include the amount of the credit claimed, an
18 estimate of the anticipated aerospace product development expenditures
19 during the calendar year for which the credit is claimed, an estimate
20 of the taxable amount during the calendar year for which the credit is
21 claimed, and such additional information as the department may
22 prescribe.

23 (5) The definitions in this subsection apply throughout this
24 section.

25 (a) "Aerospace product" has the meaning given in RCW 82.08.975.

26 (b) "Aerospace product development" means research, design, and
27 engineering activities performed in relation to the development of an
28 aerospace product or of a product line, model, or model derivative of
29 an aerospace product, including prototype development, testing, and
30 certification. The term includes the discovery of technological
31 information, the translating of technological information into new or
32 improved products, processes, techniques, formulas, or inventions, and
33 the adaptation of existing products and models into new products or new
34 models, or derivatives of products or models. The term does not
35 include manufacturing activities or other production-oriented
36 activities, however the term does include tool design and engineering
37 design for the manufacturing process. The term does not include
38 surveys and studies, social science and humanities research, market

1 research or testing, quality control, sale promotion and service,
2 computer software developed for internal use, and research in areas
3 such as improved style, taste, and seasonal design.

4 (c) "Qualified aerospace product development" means aerospace
5 product development performed within this state.

6 (d) "Qualified aerospace product development expenditures" means
7 operating expenses, including wages, compensation of a proprietor or a
8 partner in a partnership as determined by the department, benefits,
9 supplies, and computer expenses, directly incurred in qualified
10 aerospace product development by a person claiming the credit provided
11 in this section. The term does not include amounts paid to a person or
12 to the state and any of its departments and institutions, other than a
13 public educational or research institution to conduct qualified
14 aerospace product development. The term does not include capital costs
15 and overhead, such as expenses for land, structures, or depreciable
16 property.

17 (e) "Taxable amount" means the taxable amount subject to the tax
18 imposed in this chapter required to be reported on the person's tax
19 returns during the year in which the credit is claimed, less any
20 taxable amount for which a credit is allowed under RCW 82.04.440.

21 (6) In addition to all other requirements under this title, a
22 person claiming the credit under this section must file a complete
23 annual (~~report~~) survey with the department under RCW (~~82.32.534~~)
24 82.32.585.

25 (7) Credit may not be claimed for expenditures for which a credit
26 is claimed under RCW 82.04.4452.

27 (8) This section expires July 1, 2024.

28 **Sec. 20.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each
29 amended to read as follows:

30 (1) In computing the tax imposed under this chapter, a credit is
31 allowed for property taxes and leasehold excise taxes paid during the
32 calendar year.

33 (2) The credit is equal to:

34 (a)(i)(A) Property taxes paid on buildings, and land upon which the
35 buildings are located, constructed after December 1, 2003, and used
36 exclusively in manufacturing commercial airplanes or components of such
37 airplanes; and

1 (B) Leasehold excise taxes paid with respect to buildings
2 constructed after January 1, 2006, the land upon which the buildings
3 are located, or both, if the buildings are used exclusively in
4 manufacturing commercial airplanes or components of such airplanes; and

5 (C) Property taxes or leasehold excise taxes paid on, or with
6 respect to, buildings constructed after June 30, 2008, the land upon
7 which the buildings are located, or both, and used exclusively for
8 aerospace product development, manufacturing tooling specifically
9 designed for use in manufacturing commercial airplanes or their
10 components, or in providing aerospace services, by persons not within
11 the scope of (a)(i)(A) and (B) of this subsection (2) and are taxable
12 under RCW 82.04.290(3), 82.04.260(~~(+10+)~~) (11)(b), or 82.04.250(3); or

13 (ii) Property taxes attributable to an increase in assessed value
14 due to the renovation or expansion, after: (A) December 1, 2003, of a
15 building used exclusively in manufacturing commercial airplanes or
16 components of such airplanes; and (B) June 30, 2008, of buildings used
17 exclusively for aerospace product development, manufacturing tooling
18 specifically designed for use in manufacturing commercial airplanes or
19 their components, or in providing aerospace services, by persons not
20 within the scope of (a)(ii)(A) of this subsection (2) and are taxable
21 under RCW 82.04.290(3), 82.04.260(~~(+10+)~~) (11)(b), or 82.04.250(3); and

22 (b) An amount equal to:

23 (i)(A) Property taxes paid, by persons taxable under RCW
24 82.04.260(~~(+10+)~~) (11)(a), on machinery and equipment exempt under RCW
25 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

26 (B) Property taxes paid, by persons taxable under RCW
27 82.04.260(~~(+10+)~~) (11)(b), on machinery and equipment exempt under RCW
28 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

29 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)
30 or 82.04.290(3), on computer hardware, computer peripherals, and
31 software exempt under RCW 82.08.975 or 82.12.975 and acquired after
32 June 30, 2008.

33 (ii) For purposes of determining the amount eligible for credit
34 under (i)(A) and (B) of this subsection (2)(b), the amount of property
35 taxes paid is multiplied by a fraction.

36 (A) The numerator of the fraction is the total taxable amount
37 subject to the tax imposed under RCW 82.04.260(~~(+10+)~~) (11) (a) or (b)
38 on the applicable business activities of manufacturing commercial

1 airplanes, components of such airplanes, or tooling specifically
2 designed for use in the manufacturing of commercial airplanes or
3 components of such airplanes.

4 (B) The denominator of the fraction is the total taxable amount
5 subject to the tax imposed under all manufacturing classifications in
6 chapter 82.04 RCW.

7 (C) For purposes of both the numerator and denominator of the
8 fraction, the total taxable amount refers to the total taxable amount
9 required to be reported on the person's returns for the calendar year
10 before the calendar year in which the credit under this section is
11 earned. The department may provide for an alternative method for
12 calculating the numerator in cases where the tax rate provided in RCW
13 82.04.260(~~((+10+))~~) (11) for manufacturing was not in effect during the
14 full calendar year before the calendar year in which the credit under
15 this section is earned.

16 (D) No credit is available under (b)(i)(A) or (B) of this
17 subsection (2) if either the numerator or the denominator of the
18 fraction is zero. If the fraction is greater than or equal to nine-
19 tenths, then the fraction is rounded to one.

20 (E) As used in (b)(ii)(C) of this subsection (2), "returns" means
21 the tax returns for which the tax imposed under this chapter is
22 reported to the department.

23 (3) The definitions in this subsection apply throughout this
24 section, unless the context clearly indicates otherwise.

25 (a) "Aerospace product development" has the same meaning as
26 provided in RCW 82.04.4461.

27 (b) "Aerospace services" has the same meaning given in RCW
28 82.08.975.

29 (c) "Commercial airplane" and "component" have the same meanings as
30 provided in RCW 82.32.550.

31 (4) A credit earned during one calendar year may be carried over to
32 be credited against taxes incurred in a subsequent calendar year, but
33 may not be carried over a second year. No refunds may be granted for
34 credits under this section.

35 (5) In addition to all other requirements under this title, a
36 person claiming the credit under this section must file a complete
37 annual (~~(report)~~) survey with the department under RCW (~~((82.32.534))~~)
38 82.32.585.

1 (6) This section expires July 1, 2024.

2 **Sec. 21.** RCW 82.04.448 and 2010 c 114 s 117 are each amended to
3 read as follows:

4 (1) Subject to the limits and provisions of this section, a credit
5 is authorized against the tax otherwise due under RCW 82.04.240(2) for
6 persons engaged in the business of manufacturing semiconductor
7 materials. For the purposes of this section "semiconductor materials"
8 has the same meaning as provided in RCW 82.04.240(2).

9 (2)(a) The credit under this section equals three thousand dollars
10 for each employment position used in manufacturing production that
11 takes place in a new building exempt from sales and use tax under RCW
12 82.08.965 and 82.12.965. A credit is earned for the calendar year a
13 person fills a position. Additionally a credit is earned for each year
14 the position is maintained over the subsequent consecutive years, up to
15 eight years. Those positions that are not filled for the entire year
16 are eligible for fifty percent of the credit if filled less than six
17 months, and the entire credit if filled more than six months.

18 (b) To qualify for the credit, the manufacturing activity of the
19 person must be conducted at a new building that qualifies for the
20 exemption from sales and use tax under RCW 82.08.965 and 82.12.965.

21 (c) In those situations where a production building in existence on
22 the effective date of this section will be phased out of operation,
23 during which time employment at the new building at the same site is
24 increased, the person is eligible for credit for employment at the
25 existing building and new building, with the limitation that the
26 combined eligible employment not exceed full employment at the new
27 building. "Full employment" has the same meaning as in RCW 82.08.965.
28 The credit may not be earned until the commencement of commercial
29 production, as that term is used in RCW 82.08.965.

30 (3) No application is necessary for the tax credit. The person is
31 subject to all of the requirements of chapter 82.32 RCW. In no case
32 may a credit earned during one calendar year be carried over to be
33 credited against taxes incurred in a subsequent calendar year. No
34 refunds may be granted for credits under this section.

35 (4) If at any time the department finds that a person is not
36 eligible for tax credit under this section, the amount of taxes for
37 which a credit has been claimed is immediately due. The department

1 must assess interest, but not penalties, on the taxes for which the
2 person is not eligible. The interest must be assessed at the rate
3 provided for delinquent excise taxes under chapter 82.32 RCW, is
4 retroactive to the date the tax credit was taken, and accrues until the
5 taxes for which a credit has been used are repaid.

6 (5) A person claiming the credit under this section must file a
7 complete annual ~~((report))~~ survey with the department under RCW
8 ~~((82.32.534))~~ 82.32.585.

9 (6) Credits may be claimed after twelve years after the effective
10 date of this ~~((act))~~ section, for those buildings at which commercial
11 production began before twelve years after the effective date of this
12 ~~((act))~~ section, subject to all of the eligibility criteria and
13 limitations of this section.

14 (7) This section expires twelve years after the effective date of
15 this ~~((act))~~ section.

16 **Sec. 22.** RCW 82.04.4481 and 2011 c 174 s 302 are each amended to
17 read as follows:

18 (1) In computing the tax imposed under this chapter, a credit is
19 allowed for all property taxes paid during the calendar year on
20 property owned by a direct service industrial customer and reasonably
21 necessary for the purposes of an aluminum smelter.

22 (2) A person claiming the credit under this section is subject to
23 all the requirements of chapter 82.32 RCW. A credit earned during one
24 calendar year may be carried over to be credited against taxes incurred
25 in the subsequent calendar year, but may not be carried over a second
26 year. Credits carried over must be applied to tax liability before new
27 credits. No refunds may be granted for credits under this section.

28 (3) Credits may not be claimed under this section for property
29 taxes levied for collection in 2017 and thereafter.

30 (4) A person claiming the credit provided in this section must file
31 a complete annual ~~((report))~~ survey with the department under RCW
32 ~~((82.32.534))~~ 82.32.585.

33 **Sec. 23.** RCW 82.08.805 and 2011 c 174 s 303 are each amended to
34 read as follows:

35 (1) A person who has paid tax under RCW 82.08.020 for personal
36 property used at an aluminum smelter, tangible personal property that

1 will be incorporated as an ingredient or component of buildings or
2 other structures at an aluminum smelter, or for labor and services
3 rendered with respect to such buildings, structures, or personal
4 property, is eligible for an exemption from the state share of the tax
5 in the form of a credit, as provided in this section. A person
6 claiming an exemption must pay the tax and may then take a credit equal
7 to the state share of retail sales tax paid under RCW 82.08.020. The
8 person must submit information, in a form and manner prescribed by the
9 department, specifying the amount of qualifying purchases or
10 acquisitions for which the exemption is claimed and the amount of
11 exempted tax.

12 (2) For the purposes of this section, "aluminum smelter" has the
13 same meaning as provided in RCW 82.04.217.

14 (3) A person claiming the tax preference provided in this section
15 must file a complete annual (~~report~~) survey with the department under
16 RCW (~~82.32.534~~) 82.32.585.

17 (4) Credits may not be claimed under this section for taxable
18 events occurring on or after January 1, 2017.

19 **Sec. 24.** RCW 82.08.965 and 2010 c 114 s 123 are each amended to
20 read as follows:

21 (1) The tax levied by RCW 82.08.020 does not apply to charges made
22 for labor and services rendered in respect to the constructing of new
23 buildings used for the manufacturing of semiconductor materials, to
24 sales of tangible personal property that will be incorporated as an
25 ingredient or component of such buildings during the course of the
26 constructing, or to labor and services rendered in respect to
27 installing, during the course of constructing, building fixtures not
28 otherwise eligible for the exemption under RCW 82.08.02565(2)(b). The
29 exemption is available only when the buyer provides the seller with an
30 exemption certificate in a form and manner prescribed by the
31 department. The seller must retain a copy of the certificate for the
32 seller's files.

33 (2) To be eligible under this section the manufacturer or processor
34 for hire must meet the following requirements for an eight-year period,
35 such period beginning the day the new building commences commercial
36 production, or a portion of tax otherwise due will be immediately due
37 and payable pursuant to subsection (3) of this section:

1 (a) The manufacturer or processor for hire must maintain at least
2 seventy-five percent of full employment at the new building for which
3 the exemption under this section is claimed.

4 (b) Before commencing commercial production at a new facility the
5 manufacturer or processor for hire must meet with the department to
6 review projected employment levels in the new buildings. The
7 department, using information provided by the taxpayer, must make a
8 determination of the number of positions that would be filled at full
9 employment. This number must be used throughout the eight-year period
10 to determine whether any tax is to be repaid. This information is not
11 subject to the confidentiality provisions of RCW 82.32.330 and may be
12 disclosed to the public upon request.

13 (c) In those situations where a production building in existence on
14 the effective date of this section will be phased out of operation
15 during which time employment at the new building at the same site is
16 increased, the manufacturer or processor for hire must maintain
17 seventy-five percent of full employment at the manufacturing site
18 overall.

19 (d) No application is necessary for the tax exemption. The person
20 is subject to all the requirements of chapter 82.32 RCW. A person
21 claiming the exemption under this section must file a complete annual
22 ~~((report))~~ survey with the department under RCW ~~((82.32.534))~~
23 82.32.585.

24 (3) If the employment requirement is not met for any one calendar
25 year, one-eighth of the exempt sales and use taxes will be due and
26 payable by April 1st of the following year. The department must assess
27 interest to the date the tax was imposed, but not penalties, on the
28 taxes for which the person is not eligible.

29 (4) The exemption applies to new buildings, or parts of buildings,
30 that are used exclusively in the manufacturing of semiconductor
31 materials, including the storage of raw materials and finished product.

32 (5) For the purposes of this section:

33 (a) "Commencement of commercial production" is deemed to have
34 occurred when the equipment and process qualifications in the new
35 building are completed and production for sale has begun; and

36 (b) "Full employment" is the number of positions required for full
37 capacity production at the new building, for positions such as line
38 workers, engineers, and technicians.

1 (c) "Semiconductor materials" has the same meaning as provided in
2 RCW 82.04.240(2).

3 (6) No exemption may be taken after twelve years after the
4 effective date of this ~~((act))~~ section, however all of the eligibility
5 criteria and limitations are applicable to any exemptions claimed
6 before that date.

7 (7) This section expires twelve years after the effective date of
8 this ~~((act))~~ section.

9 **Sec. 25.** RCW 82.08.9651 and 2010 c 114 s 124 are each amended to
10 read as follows:

11 (1) The tax levied by RCW 82.08.020 does not apply to sales of
12 gases and chemicals used by a manufacturer or processor for hire in the
13 production of semiconductor materials. This exemption is limited to
14 gases and chemicals used in the production process to grow the product,
15 deposit or grow permanent or sacrificial layers on the product, to etch
16 or remove material from the product, to anneal the product, to immerse
17 the product, to clean the product, and other such uses whereby the
18 gases and chemicals come into direct contact with the product during
19 the production process, or uses of gases and chemicals to clean the
20 chambers and other like equipment in which such processing takes place.
21 For the purposes of this section, "semiconductor materials" has the
22 meaning provided in RCW 82.04.2404 and 82.04.294(3).

23 (2) A person claiming the exemption under this section must file a
24 complete annual ~~((report))~~ survey with the department under RCW
25 ~~((82.32.534))~~ 82.32.585. No application is necessary for the tax
26 exemption. The person is subject to all of the requirements of chapter
27 82.32 RCW.

28 (3) This section expires December 1, 2018.

29 **Sec. 26.** RCW 82.08.970 and 2010 c 114 s 125 are each amended to
30 read as follows:

31 (1) The tax levied by RCW 82.08.020 does not apply to sales of
32 gases and chemicals used by a manufacturer or processor for hire in the
33 manufacturing of semiconductor materials. This exemption is limited to
34 gases and chemicals used in the manufacturing process to grow the
35 product, deposit or grow permanent or sacrificial layers on the
36 product, to etch or remove material from the product, to anneal the

1 product, to immerse the product, to clean the product, and other such
2 uses whereby the gases and chemicals come into direct contact with the
3 product during the manufacturing process, or uses of gases and
4 chemicals to clean the chambers and other like equipment in which such
5 processing takes place. For the purposes of this section,
6 "semiconductor materials" has the same meaning as provided in RCW
7 82.04.240(2).

8 (2) A person claiming the exemption under this section must file a
9 complete annual (~~report~~) survey with the department under RCW
10 (~~82.32.534~~) 82.32.585. No application is necessary for the tax
11 exemption. The person is subject to all of the requirements of chapter
12 82.32 RCW.

13 (3) This section expires twelve years after the effective date of
14 this (~~act~~) section.

15 **Sec. 27.** RCW 82.08.980 and 2010 c 114 s 126 are each amended to
16 read as follows:

17 (1) The tax levied by RCW 82.08.020 does not apply to charges made
18 for labor and services rendered in respect to the constructing of new
19 buildings by a manufacturer engaged in the manufacturing of
20 superefficient airplanes or by a port district, to be leased to a
21 manufacturer engaged in the manufacturing of superefficient airplanes,
22 to sales of tangible personal property that will be incorporated as an
23 ingredient or component of such buildings during the course of the
24 constructing, or to labor and services rendered in respect to
25 installing, during the course of constructing, building fixtures not
26 otherwise eligible for the exemption under RCW 82.08.02565(2)(b). The
27 exemption is available only when the buyer provides the seller with an
28 exemption certificate in a form and manner prescribed by the
29 department. The seller must retain a copy of the certificate for the
30 seller's files.

31 (2) No application is necessary for the tax exemption in this
32 section, however in order to qualify under this section before starting
33 construction the port district must have entered into an agreement with
34 the manufacturer to build such a facility. A person claiming the
35 exemption under this section is subject to all the requirements of
36 chapter 82.32 RCW. In addition, the person must file a complete annual

1 ((~~report~~)) survey with the department under RCW ((~~82.32.534~~))
2 82.32.585.

3 (3) The exemption in this section applies to buildings, or parts of
4 buildings, that are used exclusively in the manufacturing of
5 superefficient airplanes, including buildings used for the storage of
6 raw materials and finished product.

7 (4) For the purposes of this section, "superefficient airplane" has
8 the meaning given in RCW 82.32.550.

9 (5) This section expires July 1, 2024.

10 **Sec. 28.** RCW 82.08.986 and 2010 1st sp.s. c 23 s 1601 are each
11 amended to read as follows:

12 (1) An exemption from the tax imposed by RCW 82.08.020 is provided
13 for sales to qualifying businesses of eligible server equipment to be
14 installed, without intervening use, in an eligible computer data
15 center, and to charges made for labor and services rendered in respect
16 to installing eligible server equipment. The exemption also applies to
17 sales to qualifying businesses of eligible power infrastructure,
18 including labor and services rendered in respect to constructing,
19 installing, repairing, altering, or improving eligible power
20 infrastructure.

21 (2)(a) In order to claim the exemption under this section, a
22 qualifying business must submit an application to the department for an
23 exemption certificate. The application must include the information
24 necessary, as required by the department, to determine that a business
25 qualifies for the exemption under this section. The department must
26 issue exemption certificates to qualifying businesses. The department
27 may assign a unique identification number to each exemption certificate
28 issued under this section.

29 (b) A qualifying business claiming the exemption under this section
30 must present the seller with an exemption certificate in a form and
31 manner prescribed by the department. The seller must retain a copy of
32 the certificate for the seller's files.

33 (3)(a) Within six years of the date that the department issued an
34 exemption certificate under this section to a qualifying business with
35 respect to an eligible computer data center, the qualifying business
36 must establish that net employment at the eligible computer data center
37 has increased by a minimum of:

1 (i) Thirty-five family wage employment positions; or
2 (ii) Three family wage employment positions for each twenty
3 thousand square feet of space or less that is newly dedicated to
4 housing working servers at the eligible computer data center. For
5 qualifying businesses that lease space at an eligible computer data
6 center, the number of family wage employment positions that must be
7 increased under this subsection (3)(a)(ii) is based only on the space
8 occupied by the lessee in the eligible computer data center.

9 (b) In calculating the net increase in family wage employment
10 positions:

11 (i) The owner of an eligible computer data center, in addition to
12 its own net increase in family wage employment positions, may include:

13 (A) The net increase in family wage employment positions employed
14 by qualifying businesses leasing space within the eligible computer
15 data center from the owner; and

16 (B) The net increase in family wage employment positions described
17 in (c)(ii)(B) of this subsection (3).

18 (ii)(A) Lessees of the owner of an eligible computer data center,
19 in addition to their own net increase in family wage employment
20 positions, may include:

21 (I) A portion of the net increase in family wage employment
22 positions employed by the owner; and

23 (II) A portion of the net increase in family wage employment
24 positions described in (c)(ii)(B) of this subsection (3).

25 (B) The portion of the net increase in family wage employment
26 positions to be counted under this subsection (3)(b)(ii) by each lessee
27 must be in proportion to the amount of space in the eligible computer
28 data center occupied by the lessee compared to the total amount of
29 space in the eligible computer data center occupied by all lessees that
30 are qualifying businesses.

31 (c)(i) For purposes of this subsection, family wage employment
32 positions are new permanent employment positions requiring forty hours
33 of weekly work, or their equivalent, on a full-time basis at the
34 eligible computer data center and receiving a wage equivalent to or
35 greater than one hundred fifty percent of the per capita personal
36 income of the county in which the qualified project is located. An
37 employment position may not be counted as a family wage employment
38 position unless the employment position is entitled to health insurance

1 coverage provided by the employer of the employment position. For
2 purposes of this subsection (3)(c), "new permanent employment position"
3 means an employment position that did not exist or that had not
4 previously been filled as of the date that the department issued an
5 exemption certificate to the owner or lessee of an eligible computer
6 data center, as the case may be.

7 (ii)(A) Family wage employment positions include positions filled
8 by employees of the owner of the eligible computer data center and by
9 employees of qualifying businesses leasing space from the owner of the
10 eligible computer data center.

11 (B) Family wage employment positions also include individuals
12 performing work at an eligible computer data center as an independent
13 contractor hired by the owner of the eligible computer data center or
14 as an employee of an independent contractor hired by the owner of the
15 eligible computer data center, if the work is necessary for the
16 operation of the computer data center, such as security and building
17 maintenance, and provided that all of the requirements in (c)(i) of
18 this subsection (3) are met.

19 (d) All previously exempted sales and use taxes are immediately due
20 and payable for a qualifying business that does not meet the
21 requirements of this subsection.

22 (4) A qualifying business claiming an exemption under this section
23 or RCW 82.12.986 must complete an annual (~~report~~) survey with the
24 department as required under RCW (~~(82.32.534)~~) 82.32.585.

25 (5)(a) The exemption provided in this section does not apply to:

26 (i) Any person who has received the benefit of the deferral program
27 under chapter 82.60 RCW on: (A) The construction, renovation, or
28 expansion of a structure or structures used as a computer data center;
29 or (B) machinery or equipment used in a computer data center; and

30 (ii) Any person affiliated with a person within the scope of (a)(i)
31 of this subsection (5). For purposes of this subsection, "affiliated"
32 means that one person has a direct or indirect ownership interest of at
33 least twenty percent in another person.

34 (b) If a person claims an exemption under this section and
35 subsequently receives the benefit of the deferral program under chapter
36 82.60 RCW on either the construction, renovation, or expansion of a
37 structure or structures used as a computer data center or machinery or
38 equipment used in a computer data center, the person must repay the

1 amount of taxes exempted under this section. Interest as provided in
2 chapter 82.32 RCW applies to amounts due under this section until paid
3 in full.

4 (6) For purposes of this section the following definitions apply
5 unless the context clearly requires otherwise:

6 (a)(i) "Computer data center" means a facility comprised of one or
7 more buildings, which may be comprised of multiple businesses,
8 constructed or refurbished specifically, and used primarily, to house
9 working servers, where the facility has the following characteristics:

- 10 (A) Uninterruptible power supplies, generator backup power, or both;
- 11 (B) sophisticated fire suppression and prevention systems; and (C)
- 12 enhanced physical security, such as: Restricted access to the facility
- 13 to selected personnel; permanent security guards; video camera
- 14 surveillance; an electronic system requiring passcodes, keycards, or
- 15 biometric scans, such as hand scans and retinal or fingerprint
- 16 recognition; or similar security features.

17 (ii) For a computer data center comprised of multiple buildings,
18 each separate building constructed or refurbished specifically, and
19 used primarily, to house working servers is considered a computer data
20 center if it has all of the characteristics listed in (a)(i)(A) through
21 (C) of this subsection (6).

22 (iii) A facility comprised of one building or more than one
23 building must have a combined square footage of at least one hundred
24 thousand square feet.

25 (b) "Electronic data storage and data management services" include,
26 but are not limited to: Providing data storage and backup services,
27 providing computer processing power, hosting enterprise software
28 applications, and hosting web sites. The term also includes providing
29 services such as e-mail, web browsing and searching, media
30 applications, and other online services, regardless of whether a charge
31 is made for such services.

32 (c)(i) "Eligible computer data center" means a computer data
33 center:

- 34 (A) Located in a rural county as defined in RCW 82.14.370;
- 35 (B) Having at least twenty thousand square feet dedicated to
- 36 housing working servers, where the server space has not previously been
- 37 dedicated to housing working servers; and

1 (C) For which the commencement of construction occurs after March
2 31, 2010, and before July 1, 2011. For purposes of this section,
3 "commencement of construction" means the date that a building permit is
4 issued under the building code adopted under RCW 19.27.031 for
5 construction of the computer data center. The construction of a
6 computer data center includes the expansion, renovation, or other
7 improvements made to existing facilities, including leased or rented
8 space. "Commencement of construction" does not include soil testing,
9 site clearing and grading, site preparation, or any other related
10 activities that are initiated before the issuance of a building permit
11 for the construction of the foundation of a computer data center.

12 (ii) With respect to facilities in existence on April 1, 2010, that
13 are expanded, renovated, or otherwise improved after March 31, 2010, an
14 eligible computer data center includes only the portion of the computer
15 data center meeting the requirements in (c)(i)(B) of this subsection
16 (6).

17 (d) "Eligible power infrastructure" means all fixtures and
18 equipment necessary for the transformation, distribution, or management
19 of electricity that is required to operate eligible server equipment
20 within an eligible computer data center. The term includes electrical
21 substations, generators, wiring, and cogeneration equipment.

22 (e) "Eligible server equipment" means the original server equipment
23 installed in an eligible computer data center on or after April 1,
24 2010, and replacement server equipment. For purposes of this
25 subsection (6)(e), "replacement server equipment" means server
26 equipment that: (i) Replaces existing server equipment, if the sale or
27 use of the server equipment to be replaced qualified for an exemption
28 under this section or RCW 82.12.986; and (ii) is installed and put into
29 regular use before April 1, 2018.

30 (f) "Qualifying business" means a business entity that exists for
31 the primary purpose of engaging in commercial activity for profit and
32 that is the owner of an eligible computer data center or the lessee of
33 at least twenty thousand square feet within an eligible computer data
34 center dedicated to housing working servers, where the server space has
35 not previously been dedicated to housing working servers. The term
36 does not include the state or federal government or any of their
37 departments, agencies, and institutions; tribal governments; political

1 subdivisions of this state; or any municipal, quasi-municipal, public,
2 or other corporation created by the state or federal government, tribal
3 government, municipality, or political subdivision of the state.

4 (g) "Server" means blade or rack-mount server computers used in a
5 computer data center exclusively to provide electronic data storage and
6 data management services for internal use by the owner or lessee of the
7 computer data center, for clients of the owner or lessee of the
8 computer data center, or both. "Server" does not include personal
9 computers.

10 (h) "Server equipment" means the server chassis and all computer
11 hardware contained within the server chassis. "Server equipment" also
12 includes computer software necessary to operate the server. "Server
13 equipment" does not include the racks upon which the server chassis is
14 installed, and computer peripherals such as keyboards, monitors,
15 printers, mice, and other devices that work outside of the computer.

16 (7) This section expires April 1, 2018.

17 **Sec. 29.** RCW 82.12.022 and 2011 c 174 s 304 are each amended to
18 read as follows:

19 (1) A use tax is levied on every person in this state for the
20 privilege of using natural gas or manufactured gas within this state as
21 a consumer.

22 (2) The tax must be levied and collected in an amount equal to the
23 value of the article used by the taxpayer multiplied by the rate in
24 effect for the public utility tax on gas distribution businesses under
25 RCW 82.16.020. The "value of the article used" does not include any
26 amounts that are paid for the hire or use of a gas distribution
27 business as defined in RCW 82.16.010(2) in transporting the gas subject
28 to tax under this subsection if those amounts are subject to tax under
29 that chapter.

30 (3) The tax levied in this section does not apply to the use of
31 natural or manufactured gas delivered to the consumer by other means
32 than through a pipeline.

33 (4) The tax levied in this section does not apply to the use of
34 natural or manufactured gas if the person who sold the gas to the
35 consumer has paid a tax under RCW 82.16.020 with respect to the gas for
36 which exemption is sought under this subsection.

1 (5)(a) The tax levied in this section does not apply to the use of
2 natural or manufactured gas by an aluminum smelter as that term is
3 defined in RCW 82.04.217 before January 1, 2017.

4 (b) A person claiming the exemption provided in this subsection (5)
5 must file a complete annual (~~report~~) survey with the department under
6 RCW (~~82.32.534~~) 82.32.585.

7 (6) There is a credit against the tax levied under this section in
8 an amount equal to any tax paid by:

9 (a) The person who sold the gas to the consumer when that tax is a
10 gross receipts tax similar to that imposed pursuant to RCW 82.16.020 by
11 another state with respect to the gas for which a credit is sought
12 under this subsection; or

13 (b) The person consuming the gas upon which a use tax similar to
14 the tax imposed by this section was paid to another state with respect
15 to the gas for which a credit is sought under this subsection.

16 (7) The use tax imposed in this section must be paid by the
17 consumer to the department.

18 (8) There is imposed a reporting requirement on the person who
19 delivered the gas to the consumer to make a quarterly report to the
20 department. Such report must contain the volume of gas delivered, name
21 of the consumer to whom delivered, and such other information as the
22 department may require by rule.

23 (9) The department may adopt rules under chapter 34.05 RCW for the
24 administration and enforcement of sections 1 through 6, chapter 384,
25 Laws of 1989.

26 **Sec. 30.** RCW 82.12.805 and 2011 c 174 s 305 are each amended to
27 read as follows:

28 (1) A person who is subject to tax under RCW 82.12.020 for personal
29 property used at an aluminum smelter, or for tangible personal property
30 that will be incorporated as an ingredient or component of buildings or
31 other structures at an aluminum smelter, or for labor and services
32 rendered with respect to such buildings, structures, or personal
33 property, is eligible for an exemption from the state share of the tax
34 in the form of a credit, as provided in this section. The amount of
35 the credit equals the state share of use tax computed to be due under
36 RCW 82.12.020. The person must submit information, in a form and

1 manner prescribed by the department, specifying the amount of
2 qualifying purchases or acquisitions for which the exemption is claimed
3 and the amount of exempted tax.

4 (2) For the purposes of this section, "aluminum smelter" has the
5 same meaning as provided in RCW 82.04.217.

6 (3) A person reporting under the tax rate provided in this section
7 must file a complete annual (~~report~~) survey with the department under
8 RCW (~~82.32.534~~) 82.32.585.

9 (4) Credits may not be claimed under this section for taxable
10 events occurring on or after January 1, 2017.

11 **Sec. 31.** RCW 82.12.965 and 2010 c 114 s 129 are each amended to
12 read as follows:

13 (1) The provisions of this chapter do not apply with respect to the
14 use of tangible personal property that will be incorporated as an
15 ingredient or component of new buildings used for the manufacturing of
16 semiconductor materials during the course of constructing such
17 buildings or to labor and services rendered in respect to installing,
18 during the course of constructing, building fixtures not otherwise
19 eligible for the exemption under RCW 82.08.02565(2)(b).

20 (2) The eligibility requirements, conditions, and definitions in
21 RCW 82.08.965 apply to this section, including the filing of a complete
22 annual (~~report~~) survey with the department under RCW (~~82.32.534~~)
23 82.32.585.

24 (3) No exemption may be taken twelve years after the effective date
25 of this (~~act~~) section, however all of the eligibility criteria and
26 limitations are applicable to any exemptions claimed before that date.

27 (4) This section expires twelve years after the effective date of
28 this (~~act~~) section.

29 **Sec. 32.** RCW 82.12.9651 and 2010 c 114 s 130 are each amended to
30 read as follows:

31 (1) The provisions of this chapter do not apply with respect to the
32 use of gases and chemicals used by a manufacturer or processor for hire
33 in the production of semiconductor materials. This exemption is
34 limited to gases and chemicals used in the production process to grow
35 the product, deposit or grow permanent or sacrificial layers on the
36 product, to etch or remove material from the product, to anneal the

1 product, to immerse the product, to clean the product, and other such
2 uses whereby the gases and chemicals come into direct contact with the
3 product during the production process, or uses of gases and chemicals
4 to clean the chambers and other like equipment in which such processing
5 takes place. For purposes of this section, "semiconductor materials"
6 has the meaning provided in RCW 82.04.2404 and 82.04.294(3).

7 (2) A person claiming the exemption under this section must file a
8 complete annual (~~report~~) survey with the department under RCW
9 (~~82.32.534~~) 82.32.585. No application is necessary for the tax
10 exemption. The person is subject to all of the requirements of chapter
11 82.32 RCW.

12 (3) This section expires December 1, 2018.

13 **Sec. 33.** RCW 82.12.970 and 2010 c 114 s 131 are each amended to
14 read as follows:

15 (1) The provisions of this chapter do not apply with respect to the
16 use of gases and chemicals used by a manufacturer or processor for hire
17 in the manufacturing of semiconductor materials. This exemption is
18 limited to gases and chemicals used in the manufacturing process to
19 grow the product, deposit or grow permanent or sacrificial layers on
20 the product, to etch or remove material from the product, to anneal the
21 product, to immerse the product, to clean the product, and other such
22 uses whereby the gases and chemicals come into direct contact with the
23 product during the manufacturing process, or uses of gases and
24 chemicals to clean the chambers and other like equipment in which such
25 processing takes place. For purposes of this section, "semiconductor
26 materials" has the same meaning as provided in RCW 82.04.240(2).

27 (2) A person claiming the exemption under this section must file a
28 complete annual (~~report~~) survey with the department under RCW
29 (~~82.32.534~~) 82.32.585. No application is necessary for the tax
30 exemption. The person is subject to all of the requirements of chapter
31 82.32 RCW.

32 (3) This section expires twelve years after the effective date of
33 this (~~act~~) section.

34 **Sec. 34.** RCW 82.12.980 and 2010 c 114 s 132 are each amended to
35 read as follows:

36 (1) The provisions of this chapter do not apply with respect to the

1 use of tangible personal property that will be incorporated as an
2 ingredient or component of new buildings by a manufacturer engaged in
3 the manufacturing of superefficient airplanes or owned by a port
4 district and to be leased to a manufacturer engaged in the
5 manufacturing of superefficient airplanes, during the course of
6 constructing such buildings, or to labor and services rendered in
7 respect to installing, during the course of constructing, building
8 fixtures not otherwise eligible for the exemption under RCW
9 82.08.02565(2)(b).

10 (2) The eligibility requirements, conditions, and definitions in
11 RCW 82.08.980 apply to this section, including the filing of a complete
12 annual ((report)) survey with the department under RCW ((82.32.534))
13 82.32.585.

14 (3) This section expires July 1, 2024.

15 **Sec. 35.** RCW 82.16.0421 and 2010 c 114 s 133 are each amended to
16 read as follows:

17 (1) For the purposes of this section:

18 (a) "Chlor-alkali electrolytic processing business" means a person
19 who is engaged in a business that uses more than ten average megawatts
20 of electricity per month in a chlor-alkali electrolytic process to
21 split the electrochemical bonds of sodium chloride and water to make
22 chlorine and sodium hydroxide. A "chlor-alkali electrolytic processing
23 business" does not include direct service industrial customers or their
24 subsidiaries that contract for the purchase of power from the
25 Bonneville power administration as of June 10, 2004.

26 (b) "Sodium chlorate electrolytic processing business" means a
27 person who is engaged in a business that uses more than ten average
28 megawatts of electricity per month in a sodium chlorate electrolytic
29 process to split the electrochemical bonds of sodium chloride and water
30 to make sodium chlorate and hydrogen. A "sodium chlorate electrolytic
31 processing business" does not include direct service industrial
32 customers or their subsidiaries that contract for the purchase of power
33 from the Bonneville power administration as of June 10, 2004.

34 (2) Effective July 1, 2004, the tax levied under this chapter does
35 not apply to sales of electricity made by a light and power business to
36 a chlor-alkali electrolytic processing business or a sodium chlorate

1 electrolytic processing business for the electrolytic process if the
2 contract for sale of electricity to the business contains the following
3 terms:

4 (a) The electricity to be used in the electrolytic process is
5 separately metered from the electricity used for general operations of
6 the business;

7 (b) The price charged for the electricity used in the electrolytic
8 process will be reduced by an amount equal to the tax exemption
9 available to the light and power business under this section; and

10 (c) Disallowance of all or part of the exemption under this section
11 is a breach of contract and the damages to be paid by the chlor-alkali
12 electrolytic processing business or the sodium chlorate electrolytic
13 processing business are the amount of the tax exemption disallowed.

14 (3) The exemption provided for in this section does not apply to
15 amounts received from the remarketing or resale of electricity
16 originally obtained by contract for the electrolytic process.

17 (4) In order to claim an exemption under this section, the chlor-
18 alkali electrolytic processing business or the sodium chlorate
19 electrolytic processing business must provide the light and power
20 business with an exemption certificate in a form and manner prescribed
21 by the department.

22 (5) A person receiving the benefit of the exemption provided in
23 this section must file a complete annual (~~report~~) survey with the
24 department under RCW (~~(82.32.534)~~) 82.32.585.

25 (6)(a) This section does not apply to sales of electricity made
26 after December 31, 2018.

27 (b) This section expires June 30, 2019.

28 **Sec. 36.** RCW 82.29A.137 and 2010 c 114 s 134 are each amended to
29 read as follows:

30 (1) All leasehold interests in port district facilities exempt from
31 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged
32 in the manufacturing of superefficient airplanes, as defined in RCW
33 82.32.550, are exempt from tax under this chapter. A person claiming
34 the credit under RCW 82.04.4463 is not eligible for the exemption under
35 this section.

36 (2) In addition to all other requirements under this title, a

1 person claiming the exemption under this section must file a complete
2 annual ((~~report~~)) survey with the department under RCW ((~~82.32.534~~))
3 82.32.585.

4 (3) This section expires July 1, 2024.

5 **Sec. 37.** RCW 84.36.645 and 2010 c 114 s 150 are each amended to
6 read as follows:

7 (1) Machinery and equipment exempt under RCW 82.08.02565 or
8 82.12.02565 used in manufacturing semiconductor materials at a building
9 exempt from sales and use tax and in compliance with the employment
10 requirement under RCW 82.08.965 and 82.12.965 are exempt from property
11 taxation. "Semiconductor materials" has the same meaning as provided
12 in RCW 82.04.240(2).

13 (2) A person seeking this exemption must make application to the
14 county assessor, on forms prescribed by the department.

15 (3) A person claiming an exemption under this section must file a
16 complete annual ((~~report~~)) survey with the department under RCW
17 ((~~82.32.534~~)) 82.32.585.

18 (4) This section is effective for taxes levied for collection one
19 year after the effective date of this ((~~act~~)) section and thereafter.

20 (5) This section expires December 31st of the year occurring twelve
21 years after the effective date of this ((~~act~~)) section, for taxes
22 levied for collection in the following year.

23 **Sec. 38.** RCW 84.36.655 and 2010 c 114 s 151 are each amended to
24 read as follows:

25 (1) Effective January 1, 2005, all buildings, machinery, equipment,
26 and other personal property of a lessee of a port district eligible
27 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing
28 superefficient airplanes, are exempt from property taxation. A person
29 taking the credit under RCW 82.04.4463 is not eligible for the
30 exemption under this section. For the purposes of this section,
31 "superefficient airplane" and "component" have the meanings given in
32 RCW 82.32.550.

33 (2) In addition to all other requirements under this title, a
34 person claiming the exemption under this section must file a complete
35 annual ((~~report~~)) survey with the department under RCW ((~~82.32.534~~))
36 82.32.585.

1 (3) Claims for exemption authorized by this section must be filed
2 with the county assessor on forms prescribed by the department and
3 furnished by the assessor. The assessor must verify and approve claims
4 as the assessor determines to be justified and in accordance with this
5 section. No claims may be filed after December 31, 2023. The
6 department may adopt rules, under the provisions of chapter 34.05 RCW,
7 as necessary to properly administer this section.

8 (4) This section applies to taxes levied for collection in 2006 and
9 thereafter.

10 (5) This section expires July 1, 2024.

11 **Sec. 39.** RCW 82.04.4277 and 2011 1st sp.s. c 19 s 1 are each
12 amended to read as follows:

13 (1) A health or social welfare organization may deduct from the
14 measure of tax amounts received as compensation for providing mental
15 health services under a government-funded program.

16 (2) A regional support network may deduct from the measure of tax
17 amounts received from the state of Washington for distribution to a
18 health or social welfare organization that is eligible to deduct the
19 distribution under subsection (1) of this section.

20 ~~(3) ((A person claiming a deduction under this section must file a
21 complete annual report with the department under RCW 82.32.534.~~

22 ~~(4))~~ The definitions in this subsection apply to this section.

23 (a) "Health or social welfare organization" has the meaning
24 provided in RCW 82.04.431.

25 (b) "Mental health services" and "regional support network" have
26 the meanings provided in RCW 71.24.025.

27 ~~((5))~~ (4) This section expires August 1, 2016.

28 NEW SECTION. **Sec. 40.** RCW 82.32.534 (Annual report requirement
29 for tax preferences) and 2010 c 114 s 103 are each repealed.

30 NEW SECTION. **Sec. 41.** The repeal in section 40 of this act does
31 not affect any existing right acquired or liability or obligation
32 incurred under that section or under any rule or order adopted under
33 those sections, nor does it affect any proceeding instituted under that
34 section.

1 **Sec. 42.** RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s 401
2 are each reenacted and amended to read as follows:

3 (1)(a) Sections 11, 18, 21, 24, 26, 31, 33, and 37, chapter . . . ,
4 Laws of 2012 (sections 11, 18, 21, 24, 26, 31, 33, and 37 of this act),
5 section 206, chapter 106, Laws of 2010, sections 104, 110, 117, 123,
6 125, 129, 131, and 150, chapter 114, Laws of 2010, section 3, chapter
7 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and (~~section~~
8 47)) chapter 149, Laws of 2003 are contingent upon the siting and
9 commercial operation of a significant semiconductor microchip
10 fabrication facility in the state of Washington.

11 (b) For the purposes of this section:

12 (i) "Commercial operation" means the same as "commencement of
13 commercial production" as used in RCW 82.08.965.

14 (ii) "Semiconductor microchip fabrication" means "manufacturing
15 semiconductor microchips" as defined in RCW 82.04.426.

16 (iii) "Significant" means the combined investment of new buildings
17 and new machinery and equipment in the buildings, at the commencement
18 of commercial production, will be at least one billion dollars.

19 (2) Sections 11, 18, 21, 24, 26, 31, 33, and 37, chapter . . . ,
20 Laws of 2012 (sections 11, 18, 21, 24, 26, 31, 33, and 37 of this act),
21 section 206, chapter 106, Laws of 2010, sections 104, 110, 117, 123,
22 125, 129, 131, and 150, chapter 114, Laws of 2010, section 3, chapter
23 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and chapter
24 149, Laws of 2003 take(~~s~~) effect the first day of the month in which
25 a contract for the construction of a significant semiconductor
26 fabrication facility is signed, as determined by the director of the
27 department of revenue.

28 (3)(a) The department of revenue must provide notice of the
29 effective date of sections 11, 18, 21, 24, 26, 31, 33, and 37, chapter
30 . . . , Laws of 2012 (sections 11, 18, 21, 24, 26, 31, 33, and 37 of
31 this act), section 206, chapter 106, Laws of 2010, sections 104, 110,
32 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010(~~{,}~~),
33 section 3, chapter 461, Laws of 2009, section 7, chapter 300, Laws of
34 2006, and (~~section—47~~) chapter 149, Laws of 2003 to affected
35 taxpayers, the legislature, and others as deemed appropriate by the
36 department.

37 (b) If, after making a determination that a contract has been
38 signed and chapter 149, Laws of 2003 is effective, the department

1 discovers that commencement of commercial production did not take place
2 within three years of the date the contract was signed, the department
3 must make a determination that sections 11, 18, 21, 24, 26, 31, 33, and
4 37, chapter . . . , Laws of 2012 (sections 11, 18, 21, 24, 26, 31, 33,
5 and 37 of this act), section 206, chapter 106, Laws of 2010, sections
6 104, 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010,
7 section 3, chapter 461, Laws of 2009, section 7, chapter 300, Laws of
8 2006, and chapter 149, Laws of 2003 ((is)) are no longer effective, and
9 all taxes that would have been otherwise due are deemed deferred taxes
10 and are immediately assessed and payable from any person reporting tax
11 under RCW 82.04.240(2) or claiming an exemption or credit under
12 ((~~section 2 or 5 through 10, chapter 149, Laws of 2003~~)) RCW 82.04.426,
13 82.04.448, 82.08.965, 82.08.970, 82.12.965, 82.12.970, or 84.36.645.
14 The department is not authorized to make a second determination
15 regarding the effective date of chapter 149, Laws of 2003.

16 NEW SECTION. **Sec. 43.** Section 5 of this act takes effect January
17 1, 2013.

--- END ---